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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHEHNSC/NSC WASHDC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC

UNCLAS SECTION 01 OF 03 MANAGUA 002655

SIPDIS

SENSITIVE
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STATE FOR WHA/CEN, WHA/EPSC, AND OES
SAN JOSE FOR EST HUB
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN
3134/ITA/USFCS/OIO/WH/MKESHISHIAN/BARTHUR

E.O. 12958: N/A

TAGS: [SENV](#) [EINV](#) [ETRD](#) [EAGR](#) [PGOV](#) [NU](#)

SUBJECT: WITH FORESTS DESTROYED, NICARAGUAN GOVERNMENT FRUSTRATES
FELIX SALVAGE EFFORTS

REF: A) MANAGUA 0405, B) MANAGUA 2325, C) MANAGUA 1747

¶1. (SBU) Summary: As part of its post-Hurricane Felix relief efforts, the Government of Nicaragua (GON) suspended all commercial extraction of timber in Nicaragua's North Atlantic Autonomous Region (RAAN). This ban was enacted pursuant to presidential decree 92-2007, ratified by the National Assembly on September 21. The decree directed that all existing wood products in industry lumberyards be used for local indigenous community housing and infrastructure reconstruction. Industry and opposition parties decried the ban as "confiscatory." The GON has since developed an action plan for post-hurricane forestry management and, on November 2, promulgated a "regulatory clarification" for salvage logging operations. While the action plan contains positive, if ambitious, survey, fire prevention, and environmental mitigation requirements, the new regulations also serve to deepen commercial uncertainty. While Hurricane Felix may open a window of opportunity to revisit the poorly conceived June 2006 Veda Forestal forestry extraction and export prohibition (Ref A), the situation for commercial loggers remains unclear. Illegal logging and extraction of significant timber resources felled by the hurricane continues unabated. End Summary.

Hurricane Felix Damages Huge Swathes of Forest

¶2. (U) Category Five Hurricane Felix slammed into the RAAN's northeast coast on September 4, killing more than 130 people. (Some indigenous groups claim that as many as 500 died.) Hurricane Felix destroyed more than 20,450 homes along with 100 schools, clinics, community centers, and churches. Based on aerial and terrestrial surveys, the National Institute for Forestry (INAFOR) reports that the storm ripped through 1,400,000 hectares of territory, causing extensive damage to 560,000 hectares. INAFOR estimates that Felix toppled as many as 11 million cubic meters of tropical forest product and that the value of this timber may exceed \$500 million.

Ortega Responds with a Decree Suspending Timber Trade

¶3. (U) On September 21, the National Assembly ratified a sweeping presidential decree that suspends all commercial logging and timber trade in the RAAN (Ref B). Article 5 of Presidential Decree 92-2007 requires that all lumberyards channel existing inventory to meet demand for reconstruction and housing in the region--at no cost to customers. However, the decree fails to specify how reconstruction will be managed or by whom, and makes no distinction between timber felled prior to Hurricane Felix and timber felled as a result of the storm. Additionally, the decree contains no provision to compensate

companies for lawfully felled timber.

¶4. (U) Local timber operators have criticized the decree as an "illegal and unconstitutional confiscation of private property." National Assembly Deputy Wilfredo Navarro of the Liberal Constitutionalist Party called the law an "imposition, a confiscation, a taking, a sequestration, blackmail and wrong," adding, "if the President wants to do right for the people of the Northern Caribbean, he should pay the owners for the timber."

¶5. (U) Unable to sell or export their timber, a number of logging companies have suspended operations and laid off workers (200 reported for one company alone). As a consequence, twenty local indigenous leaders from affected communities signed a declaration demanding that all levels of government support and respect commercial exploitation of timber felled by Hurricane Felix to reactivate local economies. In response, the Vice President and the Executive Director of INAFOR defended the September 21, 2007, measure, declaring that the timber is a "donation," and that, "It would be a crime NOT to use the wood for housing reconstruction."

The GON Drafts a Plan

¶6. (U) Regional and Central Governments drafted a comprehensive forestry management plan entitled "Action Plan for Assistance and Restoration of Forest Ecosystems in the RAAN." Carrying a \$67 million price tag, the plan incorporates forest protection, harvesting, reforestation, research, monitoring, territorial zoning, and regional capacity building. It calls for additional analyses, including a timber inventory, reforestation and forest protection plans, and a simplified plan for commercial harvesting at the community level.

¶7. (U) On November 2, Administrative Resolution 75-2007 established a legal framework to allow salvage logging, exports, and commercial alliances with community groups. In essence, the resolution sets forth regulations to implement Presidential Decree 92-2007 along the following lines:

- Private enterprise involvement will be approved only for those that have "existing transparent alliances" with local communities that have been endorsed by the regional government. Timber must be processed to meet community reconstruction needs first, and for free. Only after "basic" community needs for housing and infrastructure have been met may surplus forestry resources be sold and processed for resale at market prices. However, any profits generated from such a sale must be shared with affected communities.
- Processed, value-added timber may be exported only from the port city of Puerto Cabezas.
- INAFOR, Ministry of Environment and Natural Resources (MARENA) and Secretary of Natural Resources (SERENA) technicians will supervise extraction and issue non-commercial forestry permits to meet local demand for home reconstruction and infrastructure supplies.
- After INAFOR technicians conduct field inspections, commercial forestry permits may be provided to indigenous communities and their beneficiaries.

Analyzing the Law

¶8. (SBU) The regulations to Presidential Decree 92-2007 have created even more confusion for logging companies than the decree itself. They severely limit and constrain the private sector, effectively transforming logging companies into little more than unpaid agents for community reconstruction. Under the new regulations, only local commu&